

# **Exhibit 10**



**FannieMae®**

## **Capital Markets Strategy**

# **Private Label Securities Post- Settlement Review**

April 19, 2006

**Final**

**TABLE OF CONTENTS**

<b>1</b>	<b>DOCUMENTATION.....</b>	<b>4</b>
1.1	DOCUMENT OWNER CONTACT INFORMATION .....	4
1.2	DOCUMENT EDITOR CONTACT INFORMATION.....	4
1.3	DOCUMENT CHANGE CONTROL MATRIX .....	4
<b>2</b>	<b>INTRODUCTION.....</b>	<b>5</b>
2.1	POLICY REFERENCE .....	5
2.2	STATEMENT OF PURPOSE .....	5
2.3	APPLICABILITY AND SCOPE.....	5
2.4	RISKS .....	5
2.5	EXTERNAL PARTNERS .....	5
2.6	REFERENCED MATERIALS .....	6
2.7	DEFINITIONS AND ACRONYMS .....	6
<b>3</b>	<b>PROFILE CREATION -ACTUALS.....</b>	<b>7</b>
3.1	PROCESS DEFINITION .....	7
3.2	PRECONDITIONS .....	7
3.3	PURPOSE AND OBJECTIVES .....	7
3.4	PROCESS PERFORMERS .....	7
3.5	PROCESS OWNER .....	7
3.6	FREQUENCY/DURATION .....	7
3.7	CRITICAL INPUTS/INFORMATION REQUIRED .....	8
3.8	CRITICAL OUTPUTS/EXPECTED RESULTS .....	8
<b>4</b>	<b>DETAILS: PRE-SETTLEMENT REVIEW .....</b>	<b>9</b>
4.1	REVIEW.....	9
4.2	SECURITY LEVEL .....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
4.3	LOAN LEVEL .....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
4.4	RECOMMENDATION.....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
<b>5</b>	<b>CONTINGENCIES/ESCALATIONS.....</b>	<b>10</b>
5.1	CONTINGENCIES/ERROR HANDLING .....	10
5.2	EXCEPTIONS.....	10
5.3	SYSTEM PROCESSING ERROR (AUTOMATED).....	10
5.4	DATA QUALITY ERROR (AUTOMATED).....	10
5.5	RECONCILIATION ERROR (AUTOMATED OR MANUAL).....	10
<b>6</b>	<b>PROCESS CONTROLS.....</b>	<b>11</b>
6.1	CONTROL OBJECTIVES .....	11
6.2	CONTROL RESPONSIBILITIES .....	11
6.3	FREQUENCY OF CONTROL MONITORING .....	11
6.4	LOCATION/RETENTION OF EVIDENCE OF CONTROL .....	11
6.5	ESCALATION .....	11
6.6	CONTROLS CHECKLIST .....	13

<b>7</b>	<b>APPENDIX.....</b>	<b>14</b>
A.	EVIDENCE OF CONTROLS .....	14
B.	ORGANIZATIONAL CHART.....	15
C.	PROCESS FLOW .....	16
D.	SARBANES OXLEY - EUCS.....	17
E.	SCREEN PRINTS.....	18
F.	JOB DESCRIPTIONS / ROLES AND RESPONSIBILITIES.....	19

# 1 Documentation

## 1.1 Document Owner Contact Information

The Director (Director) of Capital Markets Strategy Private Label Securities (CMSPLS) will have ultimate ownership and signoff for the Private Label Securities (PLS) Post-Settlement Review procedures manual. The Post-Settlement Financial Analyst (PLS Analyst) or Senior Financial Engineer (Engineer) will also be responsible for reviewing and approving any changes made to document.

Refer to Portfolio Transactions Organization Chart located at *(location TBD)* for contact information.

## 1.2 Document Editor Contact Information

As instructed by the Director, all maintenance and revisions to this document will be the responsibility of the CMSPLS.

Refer to Portfolio Transactions Organization Chart located at *(location TBD)* for contact information.

## 1.3 Document Change Control Matrix

Revision Date	Revision Number	Revision Details	Section Revised	Revised by Name and Title	Manager Approval
12/18/06	1.0	First Draft	All	Lik-Man(Jessisca) Yam Sr. Financial Engineer CMSPLS	Kin Chung, Director CMSPLS
4/19/07	1.1	Streamlined procedures to remove duplication of work done at Pre-Settlement Review	3.2, 4.1.1 (Removed reference to loan tape) 4.2 (deleted) 4.3 (renumbered as 4.2) 6.6.1–6.6.3 (deleted) 6.6.4 (reformatted template and renumbered as 6.6.1)	Kin Chung Director CMSPLS	Kin Chung Director CMSPLS

## 2 Introduction

### 2.1 Policy Reference

- Fannie Mae Procedure Framework
- Interest Rate Risk Policy
- Private Label Securities Policy
- ESO Policy & Procedures

### 2.2 Statement of Purpose

Fannie Mae actively purchases securities backed by mortgages issued by private entities and that are not guaranteed by the government or government sponsored entities. These securities are backed by single-family mortgage loans, currently comprised of sub-prime loans, Alt-A loans, FHA/VA re-performing loans and second liens. These securities are referred to as Private Label Securities (PLS)

Capital Markets Mortgage Assets (CMMA) is responsible for purchasing these securities for Fannie Mae's investment portfolio. As required by the Private Label Securities Policy (version 1.0), the Capital Markets Strategy Private Label Securities (CMSPLS) group conducts a post-settlement review on all the securities that CMMA has purchased. The purposes of the review are to:

- Ensure the consistency of underlying collateral profile before and after settlement
- Create the detail deal/bond's profile on the security FNM invested in
- Establish the analytics baseline and recommendation for On-going surveillance process (To be implemented in Q2 2007)

### 2.3 Applicability and Scope

These procedures apply to Single Family PLS purchased by Fannie Mae to be held on-balance sheet only. These procedures do not include single family PLS that Fannie Mae guarantees (i.e. wrap transactions), state or local mortgage revenue bonds, securities backed by multifamily mortgage loans or securities purchased under the Risk Transformation Facility (RTF).

### 2.4 Risks

There are no prior versions of documentation for this process.

### 2.5 External Partners

#### Internal to Capital Markets Strategy:

- Risk Management

Internal to Fannie Mae:

- Single Family Mortgage Business
- Legal Department
- Capital Markets Mortgage Assets

External to Fannie Mae:

- Dealer/Issuer

## **2.6 Referenced Materials**

Not applicable

## **2.7 Definitions and Acronyms**

Refer to Capital Markets Strategy Definitions & Acronyms located at (*location TBD*)

### 3 Profile Creation -Actuals

#### 3.1 Process Definition

- The CMSPLS group will administer a post-settlement review on all the PLS securities that purchased by CMMA.

#### 3.2 Preconditions

- The PLS Analyst receives a Prospectus and Supplement from CMMA
- The PLS Analyst receives a Pooling and Servicing Agreement (PSA) from CMMA
- The PLS Analyst receives any other document required to complete the post-settlement analysis

#### 3.3 Purpose and Objectives

The purpose of this procedure is for PLS to be interpreted in conjunction with other standards, approvals, policies, documents and limitations.

#### 3.4 Process Performers

The primary participant in the process is the Analyst.

For job descriptions and contact information, please refer to Capital Markets Strategy Organization Chart located at (*location TBD*) and Appendix F – Job Descriptions.

Unless noted in the process steps as handoffs, the step/s are assumed to be performed by the process performer/s.

#### 3.5 Process Owner

The Director will be the owner of this process.

Please refer to Portfolio Transactions Organization Chart located at (*location TBD*) and Appendix F – Job Descriptions.

#### 3.6 Frequency/Duration

Pre-settlement review on the securities will be completed within 30 days after the settlement date. For deal having pre-funding account, the timeline is after 30 days of the deal has been fully funded.

An extension to the 30-day due date may be requested by the Director of CMSPLS (with acceptable reason for extension) and must be approved by PLAT.

### **3.7 Critical Inputs/Information Required**

- N/A

### **3.8 Critical Outputs/Expected Results**

- Pre/Post Settlement Checklist
- Post-Settlement Review Summary

## **4 Details: Post-Settlement Review**

### **4.1 Review**

4.1.1 The Analyst will account for the following items for each transaction:

- A Prospectus and Supplement for the corresponding deal
- A PSA for the corresponding deal from CMMA

4.1.2 If any of the above items are not received within the timeframe outlined below, the Analyst will notify the Director for potential delay of the review summary.

4.1.3 The Analyst will ensure that the final loan tape is complete and the UPB amount matches with the settled security amount.

### **4.2 Deal/Bond Level Review**

4.2.1 The analyst will complete analysis and fill out each and every item on the Post-Settlement Review Summary attached in section 6.6 based on the information from deal Prospectus and Supplements, PSA and other necessary documents.

4.2.2 The Analyst will send the post-settlement review summary to the Director approval and sign-off.

4.2.3 The Analyst will append the deal/bond level review information into an end-user database/file located in TBD.

## **5 Contingencies/Escalations**

### **5.1 Contingencies/Error Handling**

Errors involving data should be brought to the attention of the Analyst from the department providing the data. This Analyst should be the one that corrects the error.

Output errors should be brought to the attention, and resolved by, a representative from Enterprise Systems Operations (ESO).

### **5.2 Exceptions**

Exceptions to the above procedure can be granted by CMS PLS Director or above according to certain availability of data and resources.

### **5.3 System Processing Error (Automated)**

Not Applicable

### **5.4 Data Quality Error (Automated)**

### **5.5 Reconciliation Error (Automated or Manual)**

For reconciliation issues, the Analyst from the department providing the data will first be contacted and if the discrepancy cannot be remedied then the escalation procedure (outlined in step 6.5) should be followed.

## **6 Process Controls**

### **6.1 Control Objectives**

The objective is a correct and auditable review of Private Label Securities after settlement.

### **6.2 Control Responsibilities**

The Director of the Capital Markets Strategy Private Label Securities will have the responsibility of authorizing any maintenance and/or revisions to the Private Label Securities Post-Settlement document in the future.

### **6.3 Frequency of Control Monitoring**

The Private Label Securities Post-Settlement Review document should be reviewed every 6 months or after any procedural changes have been incorporated. This document should also be reviewed and updated after any change in the policies listed in section 2.1 of this document.

### **6.4 Location/Retention of Evidence of Control**

All the information received from various sources for analysis, supporting documentation, results of the analysis and the signoff will follow Capital Market Standard policies for data retention and be saved electronically in the folder called Post-Purchase Review or Deal documents under the Bond Watch folder.

Hard copies of post-purchase analysis and sign off sheets will be saved in the post-purchase binder.

### **6.5 Escalation**

Escalation and notification is used to ensure critical items are raised soon enough to prevent significant impacts to a process or project, and to ensure the appropriate parties are informed and involved in critical decision-making. The analyst should always strive to make decisions and address issues at the lowest possible level, within the scope of his/her position. However, when a resolution cannot be made, the items should be escalated to ensure a decision is made before it can cause financial and/or reputation losses to the firm.

Notification and stakeholder escalation should take place as soon as it is apparent that a commitment will be missed or if additional resources are required to resolve any open items in the process.

Escalate unresolved errors to the document owner, his or her supervisor, the designated manager appointed by the document owner, his or her supervisor within 1 business day.

## 6.6 *Controls Checklist*

### 6.6.1 Post-Purchase Review Summary

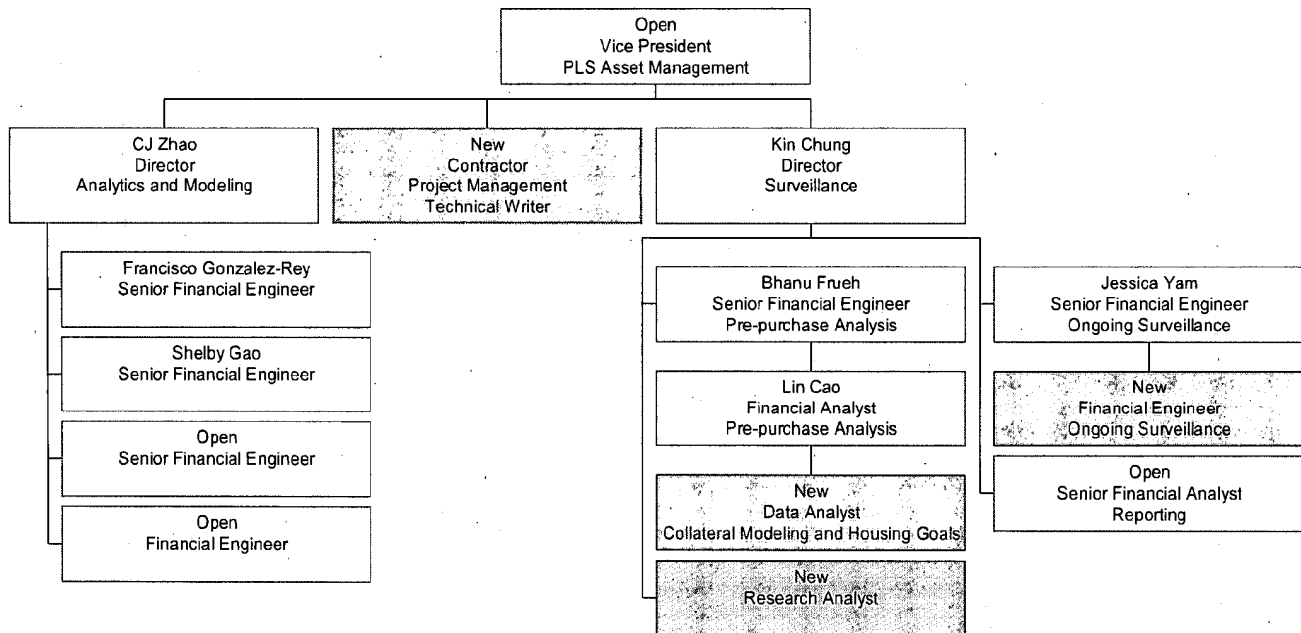


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PLS Post-Purchase Da

## 7 Appendix

### A. Evidence of Controls

Process Step	Control	Control Owner	Control Location (Evidence)
4.1.3	Reconcile the loan data	PLS Analyst	Process check list
4.2.2	Sign off required for security level detail	PLS Analyst	Process check list
4.3.3	Sign off required for loan level detail	PLS Analyst	Process check list
4.3.4	Sign off Checklist and retain	PLS Analyst	Post-purchase Binder
4.4.1	Sign Off by Director	Director	Post-purchase Binder
4.4.1.3	Sign Off by VP for exception	CMS VP	Post-purchase Binder

**B. Organizational Chart**

**C. Process Flow**

Not Applicable

**D. Sarbanes Oxley - EUCs**

Not Applicable

**E. Screen Prints**

N/A

**F. Job Descriptions / Roles and Responsibilities**

Below is the description of roles and responsibilities of various groups involved in the completion of pre-settlement review. Please see attachment for the current personnel responsible in their current roles.

**Capital Markets Strategy - Private Label Securities (CMS-PLS)**

Role	Responsibility
Provide stipulations, any updates or changes to stipulations, to CMMA	PLS VP or designee
Obtain all documents necessary to carry out the Post-Settlement review	PLS Surveillance Post-Settlement Financial analyst
Review trade decisions and make recommendation to the VP or designee.	PLS Surveillance Director or designee
Sign off on the Post-Settlement review	PLS Surveillance Director or designee
Based on the collateral and structural characteristics of the deal, give advice on frequency of post-purchase review of the securities. Structural analysis, including sizing and cashflow analysis will be reviewed by level-five analyst or director.	PLS Surveillance Analyst
Reject trades not consistent with Post-Settlement guidelines.	PLS VP or designee
Request, with justification, any adjustments required to be made in the analytical framework/tool due to structural or other nuances in the deal committed to by CMMA or request override of the model.	PLS Surveillance Director or designee
After Post-Settlement review is complete, hand off the Post-Settlement review for post-purchase review and post-purchase surveillance.	PLS Surveillance Post-Settlement Financial analyst

**Capital Markets Mortgage Assets (CMMA)**

Role	Responsibility
Make available to CMS all the information required for Post-Settlement analysis no later than the day after commitment. In the event that the settlement date of the deal is three business days or less from the date of commitment, provide the required information as it becomes available, and inform CMS group via e-mail about such potential trade.	PLS Trader/Director
Provide to CMS CDI files loan tape, deal summary sheet or any other information received from dealers and used in the making the decision to purchase securities.	PLS Trader/Director
Provide on request, any support or evidence leading to the decision to purchase each of the PLS, if required	PLS Trader/Director

by CMS.	
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## Single Family Mortgage Business

Role	Responsibility
Provide Fannie Mae approved seller/servicer list	Sr. Business Manager/Director
Provide Fannie Mae approved originator list	Sr. Business Manager/Director

## Capital Markets Strategy Credit Risk Management

Role	Responsibility
Provide CMS with the analytical framework/tool to analyze the sizing, pricing, credit risk analysis and structural analysis of the securities committed to by CMMA.	Director or designee
Support CMS in the event of adjustments required to be made in the analytical framework/tool due to structural or other nuances in the deal committed to by CMMA or override of the model.	Senior Financial analyst or equivalent
Approve any adjustments made in the analytical framework/tool or the model itself as requested by CMS.	Director or designee